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SUBJECT: NUEVO LEON'S COLLABORATIVE MODEL FOR BUILDING ITS BIOTECH
INDUSTRY

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¶1. Summary. The State of Nuevo Leon has identified the biotechnology industry as one of five key sectors for potential growth, building on its comparative advantages of strong universities, a business friendly climate and a tradition of public/private partnerships. The state and its private sector partners have promoted biotechnology through conferences, a biocluster and a research center. Although Nuevo Leon's biotechnology industry is very much at the beginning stages, local experts believe that it has high potential, provided that the sector continues to receive political support. End Summary.

Moving Towards a Knowledge Based Economy

¶2. Governor Gonzalez Paras has worked hard to move Nuevo Leon from its traditional manufacturing-based economy to a higher value added knowledge-based economy. Nuevo Leon's GDP growth since 2003 has been 1.5% higher than the national average and Nuevo Leon received the most foreign direct investment of any Mexican state outside of the Federal District. As part of his 2004-2009 development plan, Gonzalez Paras focused on five main areas: software development, healthcare, automotive manufacturing, aerospace, and biotechnology. Of all the industries, biotechnology is the newest and offers tremendous potential for investment in Nuevo Leon. The state's efforts in biotechnology are also a model of how the state has used public-private cooperation to promote economic growth. Within the biotechnology industry, Nuevo Leon is primarily focusing on pharmaceuticals, healthcare, food security and biofuels. Only a small percentage of Nuevo Leon's economy is agricultural, although several important companies are in the processed food industry. Note: As for public opinion of biotechnology in Nuevo Leon, the prevailing view is that agricultural biotechnology can help address increasing food productivity and help alleviate poverty. There is no public controversy surrounding biotechnology, as people consume imported biotech food products without complaint. End Note.

¶3. Nuevo Leon has many advantages over other states in Mexico in growing a biotechnology industry. A state with a large number of manufacturing companies and a growing population of 4.5 million, Nuevo Leon is a big consumer of biotechnology products. This demand is currently being met by imports primary from the United States. Given the state's economic sophistication, there is, however, a large pool of private sector researchers and scientists to draw upon to develop research in-house. Nuevo Leon also hopes to focus its over 150,000 university students to work in its targeted industries.

The state already has excellent hospitals with many doctors trained in the United States. Monterrey TEC University and Nuevo Leon's Universidad Autonoma, in particular, offer leading biotechnology programs and, like many of the other universities and hospitals in the state, have long standing partnerships with companies and universities in the United States. For example, companies such as Roche, Merck and Pfizer have already outsourced clinical trials of drugs and medical devices to hospitals and universities in Nuevo Leon.

A Collaborative Model

¶4. Nuevo Leon's plan to promote biotechnology features the work of two state agencies, conferences, trade groups, and a research center. These efforts are led by the Consejo de Ciencia y Tecnologia del Estado de Nuevo Leon (Cocytenl), headed by the widely respected Luis Eugenio Todd, former state Health Minister. Econoff and a trade specialist from the Foreign Commercial Service met with Todd and he is eager to work more closely with the Consulate to promote research in Nuevo Leon. According to Todd, the industry is starting from a small base but Cocytenl has been successful in meeting its goals for the four years it has been in operation. Using the United States' National Science Foundation as a model, Cocytenl is aggressively promoting research in the state. The council has worked to develop courses in the state's primary universities, and also promoted exchange programs with U.S. universities and private companies. One of its current projects is to help researchers learn how to commercialize their work. In the past there has not been a strong effort by universities to reward innovative researchers or create patents. Infringement of intellectual property rights is a major concern of companies operating in

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Mexico.

¶5. Cocytenl also organized BioMonterrey to increase collaboration on biotechnology. The last such conference in 2008 was a three day event that attracted 800 scientists and government policy makers from all over Mexico, Europe and North America. The conference covered a wide variety of subjects including sustainable development, agriculture, nanotechnology and collaborative development. Governor Gonzalez Paras gave the keynote address and called Nuevo Leon's transformation into a hub of research a development "critical" in order to compete in a globalized world.

¶6. The primary state agency charged with developing the biotechnology industry is the Ministry of Economic Development (SEDEC). Alongside Nuevo Leon, four other states are competitive for biotechnology research: Morelos, Guanajuato, Jalisco and Baja California. These other states also have strong university systems and a high concentration of researchers. SEDEC competes for investment in Nuevo Leon by offering tax incentives, promoting strong public/private partnerships, market research and assistance with state and federal regulation compliance. Also, SEDEC works closely with companies to propose laws and policies that promote growth especially by commercializing research and the transfer of technologies to the private sector.

¶7. The Monterrey Biocluster is a trade group started by SEDEC to develop the industry. It is modeled after the successful San Diego biocluster and officials from the San Diego Biocluster advise their counterparts in Monterrey. The group is currently funded entirely by SEDEC but has plans to start collecting dues

from its members this year to ensure its survival past Governor Gonzales Paras' administration. Note. The Governor's term ends in October 2009. While his successor is likely to continue the state's pro-business agenda, it is unknown if he or she will continue to emphasize the potential of biotechnology. End Note.

The association helps its members earn international certification and provides a forum for members to address issues such as intellectual property rights, funding and working with universities. The biocluster also supports exchange programs with U.S. companies and universities. There are only two dozen registered members in the biocluster but it is only one year old and there is strong buy-in from important institutions such as the federal ministry of economic development and Monterrey TEC University, one of Mexico's leading universities.

18. The FEMSA Biotechnology Center is another initiative dedicated to biotechnology research. The center is privately funded by the large food and beverage company FEMSA in cooperation with Monterrey TEC University. The US\$ 40 million center is geared toward commercially viable research in the area of agriculture and food safety. According to the director of the center, Dr. Manuel Zertuche Guerra, the center differs from other university research programs because of its business focus. The work done at the center has helped a wide range of companies, such as grocery store chain HEB in the area of food transportation and Genentech in the area of anticarcinogens. One of the center's current major projects is with Cemex to develop biological compounds that are able to reduce pollutants in the cement making process.

19. Comment. While the biotechnology industry is still in its infancy, the government of Nuevo Leon has shown its commitment to development of the industry and its eagerness to work with private companies. For 2009, the U.S. Foreign Commercial Service office in Monterrey has identified biotechnology as a high growth industry and will work with American companies to increase their presence in the market. If the state continues to fund this effort despite the current economic climate and political support continues, Nuevo Leon's biotechnology sector bears watching. End Comment.

WILLIAMSON